

County Reviews of Provider Audits



Today's Topics

- Audit requirements
- Audit objectives
- Audit limitations
- The county's role in reviewing audits
- The audit package
- How to review audits
- How to resolve audit findings
- Case study

Why Do We Need Audits?

- It's required by state and federal law
- It may be required by contract
- It may be required by outside agencies
 - Other grantors, financial institutions
- It's good business practice

Audit Limitations

- Audit is limited in scope
- Time lag of 6 to 9 months from the period being audited
- Cannot provide “absolute assurance” that all errors and irregularities will be detected
- Will improve weaknesses only if action is taken by the agency
- Should not be the only monitoring that occurs

Audit Review Objectives

- To determine whether:
 - The financial statements are prepared in accordance with GAAP
 - That the agency establishes and maintains effective internal controls
 - State funds are being expended in accordance with contracts and laws
 - That costs incurred and claims are reasonable, allowable and allocable

County's Audit Role

- Have a tracking system
- Identify audit requirements for your providers
- Determine auditor qualifications
- Provide information auditors need to plan and perform audits
- Collect and review audit reports; act on audit findings

Have a Tracking System

■ Information to capture

- Agency
- Type of audit required
- Auditor info
- Date audit was submitted
- Extensions granted
- Is package complete?
- Concerns
- Resolution of findings
- Follow-up

■ Use a method that works for you

- Excel spreadsheet
- Database
- Paper form

■ County auditors will review this

Identify Audit Requirements

■ Based on level of funding

- Less than \$25,000 – no audit necessary, unless required by contract or law
- \$25,000 - \$500,000 – Audit in accordance with PAAG (DCF) or DHS Audit Guide
 - Waiver is possible
- Over \$500,000 – Audit in accordance with OMB Circular A-133 and SSAG (DCF) or A-133 and Audit Guide (DHS)
 - Waiver is not possible

A Little More About Funding

- No distinction between federal or state funding
- No distinction between funding that agency gets directly from dept or passed through another agency, such as a county
- No distinction between vendor and subrecipient
- Counties may obtain mandate relief waiver

Audit Waivers

- Waiver is possible for low risk situation, but no waiver for audits that are required under federal law or for audits of GHs and RCCs needed to support claims for federal funds
- Purchaser performs risk assessment to decide whether waiving the audit makes sense
- DCF & DHS Area Administration staff approve individual waivers involving dept funds

Audit Standards

- These standards are in three documents
 - *State Single Audit Guidelines*
 - Applies to DHS and DCF funding at counties and other local governments that need audits required by Federal Single Audit Act/OMB Circular A-133
 - *SSAG DCF Appendix and DHS Audit Guide*
 - Yearly update to be used in conjunction with SSAG.
 - *Provider Agency Audit Guide*
 - Applies to DCF funding for all other agencies that need to have audits - nonprofits, for profits, and those local governments that do not need federal audits

Auditor Qualifications

- Must be a Wisconsin licensed CPA
 - Both CPA and firm must be licensed
- Must meet Yellow Book Standards
- Must have had a peer review in the last 3 years
 - Make sure it's a "positive" review
 - Just ask for it!


To Verify a License

Wisconsin DRL - Credential Lookup - Organization Credential Search - Windows Internet Explorer

http://www.drl.wi.gov/credentiallookup/organizationcredentialsearch.aspx

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Search for Firm Credential Holders

Selection options:

1. Select a profession and a credential number.
2. Select a profession and enter a firm name or a partial firm name.

Search tips:

1. The profession (credential type) is the numbers after the dash of your full credential number.
2. The license number is the numbers before the dash of your full credential number.

* Indicates required fields.

Profession: Accounting Firm (3)

License number: -

Firm name: Schenck

[Multiple credential search](#)

Consistent with JCAHO and NCOA standards for primary source verification.
Data on this page is refreshed hourly.

[Send Questions or Comments to: dpsps@wisconsin.gov](mailto:dpsps@wisconsin.gov)

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Verification Results

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http://online.dfs.wis.gov/credentials/lookup/CredentialSummaryDetails.aspx?id=225-3

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Wisconsin Credential Lookup
Credential Summary - Details

Credential Summary for 225-3

Name:	SCHENCK SC
Credential Type:	Accounting Firm (3)
Credential Number:	225-3
Location:	APPLETON, WI
License Type:	regular
Status:	credential license is current (active)
Eligible To Practice:	credential license is current
First Fee Received:	NO

Details Requirements Payments Orders Relationships
Details

License current through:	12/14/2011
Granted date:	01/01/1963
Multi-state:	N/A
Orders:	NONE
Specialties:	NONE
Other Names:	Schenck SC

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[Send Questions or Comments to \[dsp@wisconsin.gov\]\(mailto:dsp@wisconsin.gov\)](#)

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Provide Information to Auditors

- Auditors may request
 - Contracts
 - Confirmations
- Why?
 - Necessary to form an opinion on the financial statements
- What is needed?
 - Source of funding, and identifying number
- Outside, third-party documentation is the most reliable

Provide Information to Auditors

■ Confirmation from the County

- Provides evidence in determining whether OMB Circular A-133 applies
- Provides evidence supporting the auditee's identification of federal awards expended under a grant
- Provides evidence of the amount of revenue that should appear in the financial statements and schedule of federal and state awards

Collect and Review Audit Reports

■ Audit Package

- Auditor's opinion
- Financial Statements
- Schedule of Expenditures
- Supplemental Schedules
 - Reserve schedule (GHs, RCCs – DCF only)
 - Profit Supplemental Schedule
- Prior audit findings
- Report on internal controls and compliance
- Schedule of Findings and Questioned Costs
- Corrective action plan
- Management letter

Collect and Review Audit Reports

- Perform desk review
 - Does report reflect applicable standards?
 - Does the report show issues affecting your programs?
 - If yes, how will you resolve those issues?
 - Is the agency in good financial condition?
 - Are they meeting program objectives?
 - Are costs allowable?

Things to Look For

■ Audit Requirements

- Was the right type of audit performed?
- Is the audit package complete?
- Is the CPA qualified?
- Are financial records being prepared in accordance with GAAP?
- Has the auditor expressed doubt about the ability of the agency as a “going concern”?
- What type of opinion has the auditor issued?

Things to Look For

■ Financial Statements

- Should be comparative with prior year
- Abnormal fluctuations
- Cash position
- Loans to employees
- Borrowings
- Current assets vs. current liabilities
- Net assets/equity
- Do expenses seem reasonable and allowable?

Things to Look For

■ Schedules

- Are funding sources properly reflected and identified with proper CFDA or State of Wisconsin identifying numbers?
- Do the amounts agree with your records?
- Are there any funds to be recovered?
 - i.e., excess reserves (DCF)

Things to Look For

■ Notes to the Financial Statements

- Debt and Loan information
- Related party transactions
- Leases (reasonable and customary?)
- Pending litigation
- Breakdowns of receivables and payables

Things to Look For

■ Audit Findings

- Do they affect your programs?
- How serious are they?
- What is the agency's response?
- Are they repeated from previous years?
- Are they situations that can be easily corrected?
- Does the cost of the solution outweigh the benefits?

Act on Audit Findings

■ Options Available

- Do nothing, i.e. issue is inconsequential
- Require agency to repay inappropriately used funds
- Accept agency's corrective action plan
- Require a more detailed corrective action plan
- Withhold money to encourage corrective action
- Increase monitoring, including going on-site
- Require additional reporting
- Provide technical assistance
- Clarify program requirements/instructions

Case Study

- Review the case study
- Identify items of concern
- Suggest follow-up actions

Web Resources

The screenshot shows the homepage of the Wisconsin Department of Children & Families. The header features the department's logo with five stars and the text "wisconsin department of children & families". A search bar with a "GO" button is in the top right. A navigation bar below the header contains links: "Find Child Care", "Report Child Care Fraud", "Become a Foster Parent", and "Report Child Abuse". Below this is a secondary navigation bar with links: "Home", "About Us", "Family Resources", "Reports & Data", "Press Room", "Partner Resources", and a dropdown menu "I want info on..." with a "GO" button. The main content area shows a breadcrumb trail: "Home > Grants and Contracts > Contract Administration". The section title is "Grants and Contracts Administration". The text describes the Department's role in administering programs through grants and contracts. Below this is a section titled "Financial Policies" which states that the Department is developing and updating financial policies. A sub-section titled "Equipment" is partially visible. At the bottom right, there is a "Trusted sites" icon.

Search **GO**

wisconsin department of
children & families

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[Home](#) > [Grants and Contracts](#) > [Contract Administration](#)

Grants and Contracts Administration

The Department of Children and Families (DCF) administers its programs through grants and contracts with counties, tribes, non-profit organizations and for-profit agencies. Those who have been entrusted with Department funds are required to follow the Department's statutes, policies, manuals and guides, as well as guidance issued by the federal government relating to financial management, allowable costs and audits.

The information presented here is designed to help agencies and auditors fulfill the requirements associated with governmental funding.

Financial Policies

DCF is developing and updating financial policies related to its grants and contracts. The provisions of previous policies that may have been issued by DWD or DHFS related to current DCF programs remain in effect until the policy is updated and posted below.

- [Equipment](#)

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Web Resources



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Requirements

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Policy &
Guidance
Publications

- ACPM

- FMM

- SSAG

- DHS Audit
Guide & PAAG

Administering & Auditing Government Funding

The Department of Health Services (DHS) contracts with counties, tribes, school districts, boards, and a number of non-profit organizations for the administration of the department's programs. These contracts require these agencies to follow the department's administration and auditing requirements in the Financial Management Manual. Audits of these agencies and department programs are to be conducted by certified public accountants and accounting firms in accordance with federal and state audit requirements.

This web site provides information for agencies and auditors on DHS requirements for administering and auditing government funding.

Contract Administration

- [Financial Management Manual](#)
- [Grant Administration Requirements](#)
- [Allowable Cost](#)
- [Other Contract Administration Resources](#)

Auditing Government Funding

- [Department Audit Requirements](#)

Local intranet

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Contact Information

Barbara Loescher
Bureau of Finance
Grants & Contracts Section
Dept. Children & Families
P.O. Box 8916
201 E. Washington, Rm A200
Madison, WI 53708-8916

608-264-6992
Barbara.Loescher@wisconsin.gov

Tanya Genung
Single Audit Section
Division of Enterprise Services
Dept. of Health Services
P.O. Box 7850
1 West Wilson Street, Room 7
Madison, WI 53707-7850

608-266-7107
Tanya.Genung@wisconsin.gov

Websites:

www.dcf.wisconsin.gov/contractsgrants/contract_administration

www.dhs.wisconsin.gov/grants/

Questions???

Thank You!!!